

Message Text

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73

ACTION XMB-07

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 3715

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TAGS: BPRO, VE

SUBJECT: EXIMBANK GUARANTEE FOR LIME PLANT SALE TO PAVIMENTOS
VIALES R.Z., C.A.

REF: STATE 087909

1. W. ZAKREWSKY, DIRECTOR OF PAVIMENTOS VIALES R.Z., AND
EDUARDO CALCANO, GENERAL SALUKXTEJGER OF A.Z. INDUSTRIAL(VENEZUELAN
REPRESENTATIVE FOR CEMENT AND MINING EQUIPMENT DIVISION OF ALLIS
CHALMERS CORPORATION) VISITED EMBASSY MAY 6 TO DISCUSS SUBJECT GUA-
RANTEE. THEY PROVIDED FOLLOWING INFORMATION:

2. TOTAL COST OF LIME PLANT PROJECT IS \$1.2 MILLION. THIS
INCLUDES \$ 687,600 OF ALLIS CHALMERS EQUIPMENT, U.S. INLAND FREIGHT
AND OCEAN FREIGHT.

3. RAW MATERIAL WILL COME FROM QUARRY OWNED BY PAVIMENTOS VIALES
FIRM LOCATED IN TUY VALLEY APPROXIMATELY SIXTY KILOMETERS FROM
CARACAS. QUARRY SAID TO HAVE SURFACE DEPOSIT OF SIX MILLION
CUBIC METERS OF 99.6 PERCENT CALCIUM CARBONATE LIMESTONE, SUFFICIENT
FOR THIRTY YEARS PRODUCTION. DEPTH OF DEPOSIT HAS NOT BEEN
CALCULATED BEYOND ABOVE AMOUNT. FIRM ALREADY HAS CRUSHING FACILITY
ON SITE PRODUCING LIMESTONE FOR OTHER PURPOSES. NEW PLANT WOULD
PRODUCE LIME FOR SOIL STABILIZATION, WATER AND SEWERAGE TREATMENT,
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SUGAR AND PAPER INDUSTRIES, STEEL MANUFACTURING, AND CONSTRUCTION

INDUSTRY.

4. FIRM ALSO HAS AGRICULTURAL LIMESTONE PLANT BROUGHT FROM ALLIS CHALMERS OF BRAZIL. ADDITIONALLY, FIRM HAS ASPHALT PLANT SCHEDULED TO BEGIN OPERATION IN ONE MONTH IN OCUMARE DEL TUY. THIS PLANT HAS INITIAL CONTRACT TO SUPPLY ASPHALT TO NEW METROPOLITAN AIRPORT IN TUY VALLEY. PLANT WAS ORIGINALLY BOUGHT SOME YEARS AGO WITH EXIMBANK FINANCING, AND HAS BEEN MOVED FROM ANOTHER LOCATION.

5. PAVIMENTOS VIALES R.Z, HAS ECONMIC FEASIBILITY STUDY UNDER PREPARATION BY DR. HECTOR RIQUEZES OF CREOLE CORPORATION. IT WILL BE COMPLETED BY MAY 15 AND COPIES WILL BE SENT TO THE EMBASSY AND THE PAN AMERICAN BANK IN MIAMI. FELIX RODRIGUEZ OF PAN AMERICAN BANK IS WORKING WITH FIRM REGARDING POSSIBLE FINANCING. STUDY WILL INDICATE THAT LIME IS SCARCE COMMODITY IN VENEZUELA WITH A GROWING MARKET DEMAND. LIME INDUSTRY IS CONSIDERED PRIMITIVE AT PRESENT

LARGEST EXISTING PLANT IS 150 METRIC TONS PER DAY IN BARQUISIMETO. IT IS OWNED BY MENDOZZ GROUP WITH PRODUCTION ALMOST ENTIRELY FOR USE IN CEMENT PLANTS WHICH THE GROUP OWNS. PROPOSED PLANT WOULD PRODUCE 230 METRIC TONS PER DAY. MAJOR CUSTOMERS WOULD BE NATIONAL STEEL COMPANY SIDOR, NATIONAL WATER AUTHORITY INOS (WHICH MUST BRING LIME FROM BARQUISIMETO TO TUY VALLEY AT PRESENT) AND THE GOVERNMENT MINISTRY OF PUBLIC WORKS FOR SOIL STABILIZATION IN ITS ROAD CONSTRUCTION PROGRAM.

6. ADDITIONAL FUNDING WILL COME FROM EITHER PAN AMERICAN BANK OR CITIZENS AND SOUTHERN BANK IN MIAMI, LLOYDS INTERNATIONAL BANK IN CARACAS AND NEW YORK, OR COMBINATION OF THESE, DEPENDING ON INTEREST CHARGES. IT WILL BE DEBT FINANCING.

7. COST/PROFIT PROJECTION SHOULD BE IN STUDY. SUBJECT COMPANY INCREASED ITS PAID IN CAPITAL ON MARCH 29, 1974, TO BS 4.5 MILLION FROM ORIGINAL BS 500,000. COST PROJECTION WILL BE LOW, AS PLANT WILL USE REJECTED MATERIAL FROM EXISTING FACILITY. PRESENT CRUSHED LIMESTONE SELLS FOR BS 18 PER CUBIC METER. ONE CUBIC METER MAKES APPROXIMATELY ONE TON OF LIME. ACTUAL MARKET PRICE OF LIME IN VENEZUELA IS NOW BS 110 PER TON.

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8. EMBASSY HAS NO OBJECTION TO THIS TRANSACTION. EDUARDO CALCANO BELIEVES INVESTMENT WILL BE SO SUCCESSFUL THAT FIRM WILL NEED TO BUY ANOTHER KILN FROM ALLIS CHALMERS NO MORE THAN ONE YEAR AFTER CURRENT PLANT IS INSTALLED.
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